

Message Text

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TO AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L STATE 047341

FOR THE NONORABLE ARTHUR F. BURNS, CHAIRMAN FEDERAL RESERVE
BOARD C/ O AMBASSADOR ANNENBERG

WEDNESDAY, MARCH 14, 1973. PLEASE DELIVER BEFORE 9:00 A. M.
LOCAL TIME.

SALES OF DOMESTIC TYPE AUTOS IN FIRST TEN DAYS OF MARCH WERE AT
AN ANNUAL RATE OF 10.6 MILLION UNITS. THIS RATE COMPARES WITH A
9.9 MILLION RATE IN FEBRUARY AND 10.3 MILLION IN JANUARY. IN
DOMESTIC FINANCIAL MARKETS, BOND PRICES WERE SLIGHTLY WEAKER.
BILL RATES CONTINUED UNDER UPWARD PRESSURE, REFLECTING IN PART
TALK OF POSSIBLE INCREASES IN DISCOUNT AND PRIME RATES. THE
3- MONTH BILL CLOSED AT 6.06 PER CENT. FEDERAL FUNDS TRADED IN A
5-7/8 TO 7-1/8 PER CENT RANGE, WITH AN EFFECTIVE RATE OF 6-3/4 PER
CENT ANTICIPATED. THERE WERE NO SYSTEM OPERATIONS. STOCK
PRICES ROSE SLIGHTLY IN MODERATE TRADING.

REPORTED DEPOSIT DATA FOR WEEK ENDING MARCH 7 INDICATE SOMEWHAT
HIGHER M-1 AND M-2 THAN ESTIMATED LAST WEEK. HOWEVER,
PARTIAL DEMAND DEPOSIT DATA FOR LATEST STATEMENT WEEK ARE MUCH
WEAKER THAN EXPECTED AND ON BALANCE GROWTH IN M-1 THIS MONTH
MAY BE ONE PERCENTAGE POINT OR SO BELOW LAST WEEK 'S ESTIMATE OF
5-1/2 PER CENT. AT THE SAME TIME, CD' S CONTINUED TO SHOW
EXTRAORDINARY STRENGTH AND OTHER TIME DEPOSITS ARE SLIGHTLY
STRONGER THAN EXPECTED LAST WEEK, SO THAT GROWTH IN M-2 IS
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CURRENTLY PROJECTED TO BE ONE PERCENTAGE POINT STRONGER IN MARCH THAN THE PREVIOUSLY INDICATED 7 PER CENT RATE. BOTH AGGREGATES ARE WITHIN THE GROWTH RANGES ADOPTED BY THE COMMITTEE.

THE DOLLAR FIRMED SHARPLY AGAINST MAJOR FOREIGN CURRENCIES DURING MOST OF THE DAY IN EUROPE BUT THEN DROPPED OFF EVEN MORE ABRUPTLY IN NEW YORK TRADING. VOLUME REMAINED SUBSTANTIALLY BELOW NORMAL AND NO SPECIFIC DEVELOPMENTS WERE CITED FOR THE WEAKNESS IN NEW YORK. EURO- DOLLAR INTEREST RATES AGAIN MOVED LOWER IN MOST MATURITIES. THE THREE- MONTH RATE WAS OFF 5/16 TO 7-13/16 PER CENT. OVERNIGHT AND SEVEN- DAY RATES, HOWEVER, EACH ROSE BY 1/4 PER CENT TO 8 AND 7-3/4, RESPECTIVELY.

GOLD WAS UNCHANGED FROM YESTERDAY AT DOLS80.00. END ROGERS

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*** Current Classification *** CONFIDENTIAL

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